Unleashing the Competitive Environments - A Review Of Blue Ocean Strategy

M. Vignesh
Assistant Professor, American School of Business Administration,
The American College, Madurai
vignesh.madurai@gmail.com

ABSTRACT - According to Michael Porter, competition for a firm can be viewed from five dimensions. Amongst which, the competition from the substitute products and entry of new firms are imminent. However, these competitive forces become unmanageable over a period of time within the confined environment and such traditional competitive rivalry is referred as the *red ocean strategy*. Hence a new strategy *viz.*, blue ocean strategy was being formulated and envisaged by Chan Kim and Renée Mauborgne. The crux of the concept is value innovation which can be adopted either in product, service or delivery. BOS is meant for uncontested marketing space rather going for a highly competitive environment. This concept along with its importance, differences between the traditional approaches, stages in implementation is being discussed in this paper.

Keywords: *Blue ocean strategy (BOS); Red ocean strategy; competition and value innovation.*

1. INTRODUCTION

The term marketing is changed to many definitions. Marketing itself seems to be a buzz word. In the long run, firms after establishing a niche for them find it hard to outstand in the same position because of heavy competitors. This new strategy was framed by W. Chan Kim and Renée Mauborgne of The Blue Ocean Strategy Institute at INSEAD [1]. They opined that any organization can reap profits through their core competency in a uncontested market rather than the hectic competition. Here the universal market can be divided in to two on the basis of existing competition viz., Red ocean and Blue ocean.

2. REVIEW OF LITERATURE

Blue ocean strategy is found to be the apt way to find niche customers in a market space as told by Kim and Mauborgne (2005) [2]. Through the concept of blue ocean strategy, many sellers have proved themselves that this strategy is adaptable globally for all products and services. Abraham (2006), has pointed that the methodology of accurate definition of the market space of companies enable them to carve out a monopoly image of the concern [3]. According to Madden (2009), this strategy has an unique feature in precisely defined target market as it seems to be an easier approach by the way of lack of thinking of impacts from consumers demands [4]. Sheehan and Vaidyanathan (2009) highlighted that this strategy would enable the corporate leaders to protect the value systems of the consumers and thereby the mission of the company [5].

According to some researchers, a positive correlation exists between the blue Ocean strategy and the company's innovation. Côté (2005) came out with the idea that a company should create innovative product so as to sustain in the competition [6]. Colman and Buckley (2005) opined that value innovation must be at the bottom of the pyramid upon which the new strategies *viz.*, blue ocean should be built [7]. Kim and Mauborgne (2005) demonstrated that this blue ocean strategy would enrich the organizations as to go for Research & Development and through innovation and to bring novel products to market [2]. Morris (2007) felt that organizations which prefer blue ocean strategy to meet the innovation challenges ahead would duly come out with comparative advantages with their innovation [8]. Moyer (2006) points out that innovation will always lead companies to follow a blue ocean and that in turn would definitely highlight a competitive advantage [9]. Blue Ocean strategy can guide organizations to focus on a new market area, where they can acquire and retain more customers [10]. A successful implementation and follow- up of the blue ocean strategy does favor radical changes in the company [11].

3. DEFINITIONS

3.1. BLUE OCEAN STRATEGY

Blue Ocean refers to the new market, where the customers and the markets are yet to identify. Hence, there seems no competition at all. Because of no competitors, any marketers who adapt this strategy seem to gain a first mover advantage. So the blue ocean strategy aims at an uncontested, new market space.

3.2. RED OCEAN STRATEGY

This refers to the firms or organizations or companies within a confined locality or geographical area with limited or unlimited consumers, which can face a stiff competition. Hence in order for survival, they have to go for price wars, cut throat competition and in other words, a rivalry, so that the marketing space turns out to be a bloody environment. And therefore is termed as Red Ocean.

Table – 1: Differences between Blue Ocean and Red Ocean strategy

Parameter	Red ocean strategy	Blue ocean strategy
Market universe	Existing market	Untapped market
Market boundary	Within the same market	Beyond existing market boundary
Target customer	Focuses on current customers	Focus on non-customer group
Competition	Very high	Very less or no competition
Demand factor	Utilizes the existing demand	Create new demand in a new area.
Value-cost factor	Makes the value-cost trade off	It breaks the trade off
Strategies followed	Low-cost and product differentiation	Value innovation

4. FEATURES OF BLUE OCEAN STRATEGY

1. It aims for a uncontested market space.
2. It denotes all the industries not in existence today.
3. It goes for a newer market segment.
4. No competition at all, as the adaptor is said to be the first mover.
5. Basis is value innovation.
6. No room for competitive advantage.
7. It is against the skimming price.
8. It emphasis on reconstruction.

5. DEFINING VALUE INNOVATION

The key concept of Blue Ocean Strategy is 'Value Innovation'. According to Kim and Mauborgne (1997), the innovation (in product, service, or delivery) must raise and create value for the market, while simultaneously reducing or eliminating features or services that are less valued by the current or future market. A blue ocean is created when a company achieves value innovation that creates value simultaneously for both the buyer and the company. As blue ocean strategy integrates the firm’s functional and operational activities, value innovation can be created in the zone where a firm’s cost structure and its value proposition to the customers. Normally, the logic of value innovation is to impart value creation and thereby an increment in sales. A value innovation must be a win-win strategy for sellers as well as buyers. As mentioned by Chang (2010), Value innovation is something more than innovation [12]. It is something that is all about activities and strategies which companies try to achieve value and add value for their customers [13, 14].

6. REASONS FOR ADOPTING BLUE OCEAN STRATEGY

1. Increasing globalization
2. When there is more competition among the existing brands.
3. Accelerated commoditization of products & services
4. Increasing price wars
5. Shrinking profit margins
6. Brands (consumer & industrial) are becoming more similar

7. EXAMPLES FOR BLUE OCEAN STRATEGIES IN INDIAN COMPANIES

1. Shampoo market in India was dominated by many prominent brands in 1980s. However, all the products were on par with the purchasing habit of high income and middle income group people. In 1984, CavinKare came out with the sachet of Chik shampoo with an economic price of fifty paise only which was affordable for the low income group people and thereby it created a value innovation in terms of price by tapping the rural market.
2. The pricing strategy of Deccan Airlines was totally differentiated from that of the other airlines, wherein they have adopted the concept of everyday low prices. However the same concept was followed by other airlines now and the situation has been changed as a red ocean.
3. The case of Micromax mobile phones is a notable one among the handset manufacturers. It forayed into the mobile market by introducing the android phones at a low price.

8. CONCLUSION

It is the term “strategy” of a company that plays a major role in determining the **Key Performance Indicator (KPI)** in the long run , and this is being widely and variably adapted at different levels in all arena; and obviously it means “everything but ultimately nothing”. Blue ocean strategy will exist as long as there is less rivalry. If the rivalry intensifies, it will become a red ocean strategy. As the first movers reap the benefits in a normal business run, blue ocean strategy itself is a temporal one and not an ephemeral, wherein the first followers gain the competitive advantage. Even Blue

Ocean Strategy sounds new and unique; it will definitely foresee a brand image for the company in the long term.

REFERENCES

1. Kim , Chan., W and Mauborgne, Renee (1997). "Value Innovation – The Strategic Logic of High Growth". Harvard Business Review 75, January–February, 103–112.
2. Kim , Chan., W and Mauborgne, Renee (2005). Blue Ocean Strategy. Harvard Business School Press.
3. Abraham, S. (2006), Blue oceans, temporary monopolies, and lessons from practice.
4. Madden, R. (2009), Philosophical approach to economic recovery. Marketing Week.
5. Sheehan, N.T. Vaidyanathan, G.(2009), Using a value creation compass to discover "Blue Oceans". Strategy & Leadership.
6. Côté , M.(2005), Sailing the oceans blue. CA Magazine . 138. 72-73.
7. Colman, R. Buckley, P. (2005), Blue ocean strategy.
8. Morris, Peter. (2007), Value Judgement. BRW.
9. Moyer, D.(2006), Take a giant step. Harvard Business Review. 84. 168.
10. Gorrell, C.(2005) , Quick takes. Strategy & Leadership. 33. 74-70.
11. Parvinen, P., J. Aspara, et al. (2011). "Awareness, action and context-specificity of Blue Ocean practices in sales management." Management Decision 49(8): 1218-1234.
12. Chang, S. C. (2010). "Bandit cell phones: A blue ocean strategy." Technology in Society 32(3): 219-223.
13. Chaharbaghi , K and R. Willis, (1998). Strategy : the missing link between continuous revolution and constant evolution. International Journal of Operations and Production Management, 18(9/10): 1017-27.
14. Porter M.E., (1980) Competitive Strategy – Techniques for Analyzing Industries and Competitors, New York, The Free Press, p.6.